

## A look ahead: Our outlook for affordable housing remains constructive

At first glance, the economy appears to have changed from just a few months ago. At the start of the year, the biggest concerns in the financial markets were rising interest rates and inflation, as the post-COVID recovery was heating up. Higher prices on building materials were of particular concern for residential construction, as the cost of lumber soared to more than \$1,670 per thousand board feet in March.

Three months later, yields on 10-Year Treasuries, which climbed as high as 1.74% in March, fell back to 1.45% by June 30 and have continued to decline since then, signaling that investor expectations for a robust recovery have changed. Inflation, according to many economists, may be a fleeting phenomenon, with a clue found in lumber prices that plunged by more than half by the end of the second quarter.

Yet against this changing backdrop, two things remain constant: The underlying need for affordable housing is as great as ever, and the momentum surrounding efforts to create and preserve much-needed affordable apartments remains intact.

To be sure, hope that the Biden administration's infrastructure proposal will address affordable housing significantly appears to be diminishing. Still, we remain optimistic that the backdrop for private-sector investments in affordable housing remains positive:

- Though the employment picture is improving, the need for affordable housing is still as great as it was during the depths of the COVID crises when many Americans were losing jobs. That's because the slump in rents has ended even though employment has yet to fully recover from the pandemic. National median rents in the U.S. have climbed 9.2% in the first half of the year and are now above where they were before COVID, according to Apartment List's July National Rent Report.
- We continue to see strong performance in the affordable housing rental market, demonstrating what we've been saying for a while: Affordable housing is one of the most stable parts of real estate providing debt investors with consistent income and market-rate returns.
- The Supreme Court's recent decision allowing the Biden administration to remove the head of the Federal Housing Finance Agency (FHFA) — which regulates and provides oversight over Fannie Mae and Freddie Mac — appears to give the administration greater ability to address priorities, including affordable housing.

While it's uncertain if affordable housing will end up playing a meaningful part of the White House's pending infrastructure proposal, policymakers in general are paying more attention to affordable housing now than in recent years. Any policy support that emerges in the second half of this year should lend support to the positive developments we're seeing in the private markets.



Michael Lohmeier,  
Chief Investment Officer

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## Q2 2021 IMPACT Community Capital investing highlights

As life began to return to normal in the second quarter, rents reversed course and are back on an upward trajectory. Nationally, rents for units in multifamily properties rose 6.3% in June on a year-over-year basis, according to the Yardi Matrix survey.

Against this backdrop, IMPACT is proud to have helped finance 1,068 units of affordable housing through a combination of eight new loan commitments and four loan purchases totaling more than \$65 million. At IMPACT, we believe increasing access to affordable housing is an essential pillar for improving the financial well-being of workers, communities, businesses, and the overall economy.

### Spotlight Property: Annunciation Terrace



- Through our short-term bridge loan strategy, IMPACT is helping to preserve new affordable housing in this 50-unit building in Akron, Ohio.
- 40 one-bedroom units will be restricted to households with incomes less than 60% of Area Median Income (AMI). Meanwhile, 10 two-bedroom units will be restricted to households with less than 50% AMI.
- Originator: Rose Community Capital

### Spotlight Property: Vista at Interpark

- This 64-unit, new-construction development — sponsored by Atlantic Pacific and the San Antonio Housing Authority (SAHA) — is designed for families in San Antonio.
- Because SAHA owns the land and will ground lease the site for 75 years, the property will receive a tax exemption.
- The development is located just 8 miles from the San Antonio central business district, so working families can take advantage of San Antonio's diverse job market.
- Originator: Bank of America

# 1,068

Affordable Multi-Family  
Rental Units Financed

# 12

New loan purchases and  
forward commitments

Commitments  
totaling more than

# \$65M

## Spotlight Property: Parkview Place

- This 199-unit building located in the Elwood/Lafayette Park neighborhood of Detroit caters to senior residents.
- The property sits next to Elmwood Central Park, providing residents with green space, walking paths, and nearby bus routes.
- The building was recently renovated in 2019-2020 with the assistance of Low Income Housing Tax Credits (“LIHTC”). The sponsor, MHT Housing, Inc., is a non-profit founded in 1990 for the purpose of preserving and creating affordable housing in Michigan.
- A quarter of the units are supported by a rental subsidy contract.
- Originator: Churchill Mortgage Investments

## For further insights:

- On May 5, IMPACT participated in Phenix Capital’s webinar on [“Impact Investing Response for the Affordable Housing Crisis in the U.S.”](#) Read our [recap](#) of the discussion, which focuses on the five chief considerations that investors new to affordable housing must consider.
- IMPACT CIO Michael Lohmeier participated in [“Investing for Racial, Economic, and Financial Impact,”](#) a webinar co-hosted by IMPACT and the American Council of Life Insurers on April 21. The discussion focused on how institutional investors can overcome the barriers to impact investing, and you can read our recap of that conversation [here](#).
- In the latest installment of IMPACT’s video series, CIO Michael Lohmeier explains how affordable housing debt can offer institutional investors acyclical fixed income exposure with stable cash flows. You can watch the video [here](#).
- IMPACT has launched our updated website, [impactcapital.net](#) to highlight our investment strategies and mission to bring positive change to underinvested communities

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